

## Commonly Asked Questions about Splitting 2007 Federal Income Tax Refunds

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You have options choosing how to receive your 2007 federal income tax refund. You can:

- Split your direct deposit refund among two or three different accounts, with up to three different U.S. financial institutions;
- Direct deposit your refund into a single checking or savings account; or
- Receive your refund in a paper check.

Splitting your refund is easy. Use IRS' Form 8888, Direct Deposit of Refund to More Than One Account, to split your refund among two or three different accounts. Form 8888 is not required if you want IRS to direct deposit your refund into a single account; you can use the direct deposit line on Forms 1040, 1040A, or 1040EZ.

With split refunds, you have a convenient option for managing your money — sending some of your refund to an account for immediate use and some for future savings — teamed with the speed and safety of direct deposit. It's a win-win.

### **What is a split refund?**

A split refund lets you divide your refund, in any proportion you want, and direct deposit the funds in up to three different accounts with U.S. financial institutions.

### **What are the benefits of splitting my refund?**

Instead of depositing your refund into a checking or savings account and later moving part of your refund to another account, you can allocate your refund among up to three different accounts and send your money where you want it the first time.

By splitting your refund, you get the convenience of directing some of your refund to your checking account for immediate needs and sending some to savings for future use. Plus, you get the safety and speed of direct deposit, meaning you will have access to your refund faster than if you opt to receive a paper check.

### **How do I split my refund?**

Simply complete and attach Form 8888, Direct Deposit of Refund to More Than One Account, to your federal income tax return to tell IRS how much and to which of your accounts you want your refund deposited.

### **Can I still send my refund to just one account?**

You can ask IRS to direct deposit your 2007 refund into just one account, or into two or three different accounts. The choice is yours.

If you want your refund deposited into one account, use the special direct deposit lines on your tax return (Forms 1040, 1040A, etc.). If you want your refund deposited to two or three accounts, use Form 8888, Direct Deposit of Refund to More Than One Account.

### **Does my refund have to exceed a certain amount to split it into different accounts?**

Your deposit to each account must be at least one dollar.

### **If I want to split my refund among different accounts, can those accounts be with different financial institutions?**

You can split your refund among up to three different U.S. financial institutions as long as they will accept a direct deposit to your account.

**Must I file electronically to split my refund?**

You can split your refund whether you file electronically or on paper. However, IRS recommends using e-file to avoid simple mistakes that could change the amount of your refund, and therefore the amount available for deposit.

**Can I split my refund if I file a 1040-EZ?**

You can split your refund on an original return filed on any of the following returns: Form 1040, 1040A, 1040EZ, 1040NR, 1040NR-EZ, 1040-SS, or 1040-PR. However, you cannot split your refund if you file Form 8379, Injured Spouse Allocation.

**Will splitting my refund cause a delay in depositing my refund?**

Splitting your refund will not cause a delay. In fact, because it uses direct deposit technology, your funds will be in your account(s) faster than if you opt to receive your refund in a paper check.

**Can I split my refund between a direct deposit and a paper check?**

You cannot split your refund between a direct deposit and paper check. You can either opt for the safety, security and speed of direct deposit to one, two, or three different accounts *or* request your refund via a paper check, but you cannot combine the two.

**Can I split my refund if I only have two accounts?**

You can electronically direct your refund to one, two *or* three separate accounts at your discretion.

You can designate a direct deposit to one account directly on the Form 1040 series of forms or you can use Form 8888, Direct Deposit of Refund to More Than One Account, to split your refund among two or three different accounts.

**Must I split my refund equally?**

You have the flexibility of dividing and directing your refund any way you want. There is no requirement to make the deposits equal.

**Can I direct IRS to deposit all or part of my refund to any of my accounts with any financial institution?**

IRS will direct deposit refunds to any of your checking or savings accounts with any U.S. financial institution that accepts electronic deposits. However, you should verify that your financial institution accepts direct deposits for the type of account you want to direct your deposit to and verify the account and routing numbers.

**If I am filing a joint return with my spouse, must our refund be deposited to a jointly-held account?**

You can ask IRS to direct deposit a refund on a joint return into your account, your spouse's account, or a joint account. However, state and financial institution rules can vary and you should first verify your financial institution will accept a joint refund into an individual account.

**What types of accounts are eligible to receive my refund via direct deposit?**

You can direct your refund to any of your checking or savings accounts with a U.S. financial institution as long as your financial institution accepts direct deposits for that type of account and you provide valid routing and account numbers. Examples of savings accounts include: passbook savings, individual development accounts (IDAs), individual retirement arrangements

(IRAs), health savings accounts (HSAs), Archer MSAs, and Coverdell education savings accounts.

However, some financial institutions will accept direct deposits for some types of accounts, but not others. Contact your financial institution to ensure they will accept your direct deposit and verify your account and routing number.

IRS also encourages taxpayers and their preparers to ensure account and routing numbers are accurately entered on returns so your funds can be deposited as intended.

### **Can I direct part or all of my refund to my prior year individual retirement account (IRA)?**

IRS will deposit your refund to any of your checking or savings accounts with U.S. financial institutions per the account and routing numbers you provide, but you should ensure your financial institution will accept direct deposits to prior year IRA accounts.

As with all IRA deposits, the account owner is responsible for informing their IRA trustee of the year for which the deposit is intended and for ensuring their contributions do not exceed their annual contribution limitations. IRS direct deposits of federal tax refunds will not indicate a contribution year for IRA accounts.

If you fail to notify your IRA trustee of the intended year for the deposit, your trustee can assume the deposit is for 2008.

IRS is not responsible for the timeliness or contribution amounts related to an IRA direct deposit. Since an error on your return or an offset to your refund could change the amount of refund available for deposit (for more information, see *What if I make a mistake on my return that decreases the amount of my refund?*, *What if I owe back taxes to the IRS?*, and *Are there other conditions that could reduce the amount of my refund and change the amount I want deposited to each account?*) you must verify the deposit was actually made to the account by the due date of the return (without regard to extensions). If the deposit is not made into your account by the due date of the return (without regard to extensions), the deposit is not a contribution for 2007. You must file an amended 2007 return and reduce any IRA deduction and any retirement savings contributions credit you claimed.

### **Can I direct part of my refund to pay a loan?**

You can direct your refund to either a checking or savings account; you cannot opt for a direct deposit into a loan account.

### **If I use a tax professional to prepare my return, will it cost me more to split my refund?**

Tax preparation fees could vary. Ask your tax professional about his/her fees up front.

### **Can I direct part of my refund into my tax professional's checking or savings account to pay my tax preparation fee?**

You can direct your refund to any of your checking or savings accounts; you cannot direct your refund to someone else's account (except for your spouse's account, if this is a joint refund).

### **What if I make a mistake on my return that increases the amount of my refund?**

If you split your refund among multiple accounts and the mistake results in a larger refund than you expected, IRS will add the difference to the last account you designated.

Example: Your return shows a refund of \$300 and you ask IRS to split the refund among three accounts, depositing \$100 to each account. Due to an error, your refund is increased by \$150. IRS will adjust your direct deposits as follows:

	Requested:	Actual direct deposits:
Account 1:	\$100	\$100
Account 2:	\$100	\$100
Account 3:	\$100	\$250 (\$100 requested plus \$150 adjustment)

You will receive a letter from IRS explaining any errors resulting in adjustments to your return, refund amount, and direct deposit(s).

IRS recommends using electronic filing to avoid math errors and other common problems that can result in adjustments to your return and change the amount of your refund.

### **What if I make a mistake on my return that decreases the amount of my refund?**

If the mistake results in a smaller refund, IRS will use a bottom-up rule and deduct the difference from the amount you designated for the last account shown on Form 8888. If the difference exceeds the amount designated for the last account, IRS will deduct the remainder from the amount designated to the next account, etc.

Example: Your return shows a refund of \$300 and you ask IRS to split your refund among three accounts with \$100 to each account. Due to an error, your refund is decreased by \$150. IRS will adjust your direct deposits as follows:

	Requested:	Actual direct deposits:
Account 1:	\$100	\$100
Account 2:	\$100	\$50 (\$100 requested less \$50 adjustment)
Account 3:	\$100	\$0 (\$100 requested less \$100 adjustment)

IRS will apply this same bottom-up rule to adjust direct deposits for refund offsets for unpaid federal taxes or if the Earned Income Tax Credit (EITC) portion of your refund is withheld pending further review.

You will receive a letter from IRS explaining any errors resulting in adjustments to your return, your refund amount, and direct deposit(s).

IRS recommends using electronic filing to avoid math errors and other common problems that can result in adjustments to your return and change the amount of your refund.

### **What if I owe back taxes to IRS?**

If you owe delinquent federal taxes, IRS will withhold the balance due from your refund and adjust your split refund direct deposits under the bottom-up rule discussed above. You will receive a letter from IRS explaining any adjustments to your refund amount and direct deposit(s).

### **How will IRS handle my split refund deposits if the Earned Income Tax Credit (EITC) portion of my refund is withheld pending further review?**

IRS will deposit your refund, less the amount withheld according to the bottom-up rule — see *What if I make a mistake on my return that decreases the amount of my refund?*

You will receive a letter from IRS explaining why a portion of your refund was withheld, the effect on your direct deposit(s), and what information you need to provide to verify your EITC eligibility. If IRS later determines you are eligible to receive the credit, the agency will deposit the amount withheld into the first account you designated on Form 8888.

### **Are there other conditions that could reduce the amount of my refund and change the amount I want deposited to each account?**

If you owe delinquent state income taxes, back child support, or delinquent non-tax federal debts such as student loans, etc., the Department of Treasury's Financial Management Service (FMS), which disburses IRS refunds, may offset your refund for the delinquent amount.

FMS will deduct the past-due amounts from the payment that appears first on the payment file received from IRS (the IRS payment file orders accounts from the lowest to the highest routing number). If the debt exceeds the payment designated for the account that appears first on the payment file, FMS will reduce the payment designated for the account that appears next, etc.

You will receive a letter from FMS explaining any offset amount, the agency receiving the payment, the address and telephone number of the agency, and amount of your refund/direct deposit offset. If you dispute the debt, you should contact the agency shown on the notice, not IRS, since IRS has no information about the validity of the debt.

Information about refund offsets is available through *Where's My Refund?* on IRS.gov.

### **What will happen if I owe both back taxes to the IRS and back child support, state taxes, student loans, etc?**

If you owe delinquent federal taxes, IRS will withhold the balance due from your refund and adjust your split refund direct deposits under the bottom-up rule discussed earlier (see *What if I make a mistake on my return that decreases the amount of my refund?*)

If your refund exceeds the amount of your delinquent federal taxes, the Department of Treasury's Financial Management Service (FMS) will then deduct the amounts for any delinquent state income taxes, back child support, or delinquent non-tax federal debts such as student loans, etc., from the payment that appears first on the payment file received from IRS (the IRS payment file orders accounts from the lowest to the highest routing number). If the debt exceeds the payment designated for the account that appears first on the payment file, FMS will reduce the payment designated for the account that appears next, etc.

You will receive a letter explaining any adjustments IRS made to your refund amount and direct deposit(s). You will receive a separate letter from FMS explaining any offset amount, the agency receiving the payment, the address and telephone number of the agency, and amount of your refund/direct deposit that was offset. If you dispute the debt, you should contact the agency shown on the notice, not IRS, since IRS has no information about the validity of the debt.

Information about refund offsets also is available through *Where's My Refund?* on IRS.gov.

### **What will happen if I enter an incorrect routing or account number?**

Be very careful entering your account and routing numbers. IRS will handle account or routing number errors on split refunds the same as for regular direct deposits and mistakes can result in several different scenarios. For example, if:

- You omit a digit in the account or routing number of an account and the number does not pass IRS' validation check, IRS will send you a paper check for the *entire* refund;
- You incorrectly enter an account or routing number and your designated financial institution rejects and returns the deposit to IRS, IRS will issue a paper check for *that portion* of your refund; or
- You incorrectly enter an account or routing number that belongs to someone else and your designated financial institution accepts the deposit, you must work directly with the respective financial institution to recover your funds.

IRS assumes no responsibility for taxpayer error. Please, verify your account and routing numbers with your financial institution and double check the accuracy of the numbers you enter on your return.

### **How can I ensure my refund is deposited as I designate?**

First, check with your financial institution to ensure they will accept a direct deposit for the type of account you are designating. Some financial institutions will accept direct deposits for some types of accounts, but not others.

Second, ensure you have the correct account and routing numbers for the account – ask your financial institution if you are unsure – and double check the accuracy of the numbers you enter on your tax return. An incorrect or transposed number could result in your financial institution rejecting the deposit, or worse, depositing your refund into someone else's account.

Third, double check your return to ensure you have not made math or other errors that could increase or decrease the actual amount of your refund. IRS recommends electronic filing for the most error-free return.

**What if I entered the correct account and routing numbers, but IRS made an error in depositing my refund?**

IRS will correct any agency errors. Contact an IRS customer service representative by calling 1-800-829-1040.

**If I split my refund, can I still use *Where's My Refund?* to check my refund status?**

Whether or not you split your refund, you can use the *Where's My Refund?* feature available on IRS.gov or by calling 1-800-829-1954. *Where's My Refund?* will include a message confirming that your refund was split. It will not specify the amount deposited to each account, but it will tell you the estimated date of the deposits and, if IRS adjusted the amount of your refund for math errors, etc., will tell you the amount of the adjustment.

**I forgot a deduction on my original return and am filing an amended return for an additional refund. Can I split this additional refund?**

You cannot split a refund on an amended return. At this time, IRS does not offer a direct deposit option for refunds on amended returns. IRS will mail you a check for the amount of your additional refund to the address shown on your amended return.

**I'm requesting an extension of additional time to file my return. Can I still split my refund?**

You can split your refund on any original return, even if you have an extension of time to file and do not file until October 15, 2008.

**I have not filed my 2006 return yet. Can I also split my 2006 refund?**

Yes, you can elect to split your 2006 refund on an original return (not on an amended return). However, you cannot split a refund for tax years before 2006.